

Message Text

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ORIGIN AGRE-00

INFO OCT-01 ARA-06 EUR-12 EA-07 ISO-00 SSO-00 NSCE-00
AID-05 FDRE-00 L-03 PM-04 NSC-05 SP-02 SS-15
PRS-01 CIAE-00 INR-07 NSAE-00 INRE-00 COME-00
TRSE-00 OMB-01 ACDA-07 STR-04 OES-06 /086 R

DRAFTED BY FAS:FCA;G&F:ALERISMAN:DE
APPROVED BY EB/ORF/OF/FPD-PAUL D. TAYLOR
FAS:G&F:KLMURRAY
FAS:BKMEEKER
AO:ETRANSOM
AGRIC:ERBEVIS
ARA/ECP:WBURSON (SUB)

-----211722Z 047149 /41

O P 211630Z APR 77
FM SECSTATE WASHDC
TO AMEMBASSY BUENOS AIRES IMMEDIATE
INFO USLO PEKING PRIORITY
AMEMBASSY OTTAWA PRIORITY
AMCONSUL HONG KONG PRIORITY

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E.O. 11652: N/A

TAGS: EAGR, XX

SUBJECT: STATUS OF PRC GRAIN PURCHASES

1. BUENOS AIRES 2771 ESPECIALLY WELCOME DUE TO ITS TIMELY,
THOROUGH COVERAGE OF SALES AND RUMORED SALES OF ARGENTINE
WHEAT TO THE PRC.

2. THE AFP REPORT THAT THE PRC REQUESTED OFFERS OF UP TO
1.5 MILLION TONS OF ARGENTINE AND 500,000 TONS OF CANADIAN
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WHEAT APPARENTLY STEMS FROM AN ERRONEOUS TRANSLATION OF AN
ARTICLE ON PRC GRAIN PURCHASES APPEARING IN
FOREIGN AGRICULTURE OF APRIL 11. THE ARTICLE INCLUDES THE
STATEMENT, "...ANOTHER 500,000 TO 1.5 MILLION (OF WHEAT)
ARE RUMORED TO HAVE BEEN PURCHASED RECENTLY (BY THE PRC)
FROM CANADA AND ARGENTINA."

3. CONFIRMED PURCHASES OF WHEAT BY THE PRC FOR DELIVERY IN CY 1977 NOW TOTAL 5,186,000 TONS (CANADA 2,286,000, AUSTRALIA 2.5 MILLION--A SMALL PORTION OF WHICH MAY BE DELIVERED IN EARLY 1978--AND ARGENTINA, 400,000 TONS). ANOTHER 200,000 TONS OF ARGENTINE WHEAT MAY HAVE BEEN SHIFTED TO CANADA, ALTHOUGH NEITHER THE SALES NOR THE SUBSTITUTION CAN BE CONFIRMED AT THIS TIME.

4. THE GENERAL CONSENSUS AMONG THE GRAIN TRADE SEEMS TO BE THAT CHINA HAS ALREADY PURCHASED FROM 6.0 MILLION TO 6.3 MILLION TONS FOR DELIVERY IN CY 1977. THE DIFFERENCE BETWEEN THE CONFIRMED AND THE HIGHER TRADE ESTIMATES BEING SOME COMBINATION OF ARGENTINE AND TRADERS HOLDING LONGS ON CANADIAN WHEAT. THIS BUSINESS REPORTEDLY WAS TRANSACTED SOME TIME AGO BUT HAS NOT YET BEEN CONFIRMED. IN ALL, THE TRADE BELIEVES PERHAPS AN ADDITIONAL 500,000 TO 800,000 TONS OF CANADIAN AND/OR AN ADDITIONAL 400,000 TONS OF ARGENTINE HAVE BEEN PURCHASED, ALL FOR RELATIVELY SHORT-TERM DELIVERY.

5. WE ARE NOT CONVINCED THE PRC HAS ALREADY PURCHASED FROM 6.0 TO 6.3 MILLION TONS OF WHEAT FOR DELIVERY IN CY 1977 ALTHOUGH WE DO BELIEVE SOME RELATIVELY SMALL PURCHASES MAY YET BE CONFIRMED AND WE DO BELIEVE CHINA IS LIKELY TO REENTER THE GRAIN MARKET LATE THIS SUMMER OR EARLY NEXT FALL. THE SIZE OF THESE PURCHASES AND WHETHER OR NOT THEY WILL BE FOR DELIVERY IN 1978 OR INCLUDE SOME FOR DELIVERY IN LATE 1977 AS WELL WILL LIKELY DEPEND UPON HOW GOOD THE HARVEST IN NORTH CHINA WILL BE THIS YEAR. LIMITED OFFICIAL USE

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6. MUCH OF NORTH CHINA HAS BEEN UNUSUALLY DRY THIS YEAR ALTHOUGH LIGHT TO MODERATE RAINFALL FELL OVER ROUGHLY THE SOUTHERN ONE-THIRD OF THE REGION DURING THE LAST TWO WEEKS. TIMELY RAINFALL COULD STILL SALVAGE MUCH OF THE WHEAT, BUT WITHOUT SUCH RAIN THE MORE IMPORTANT FALL HARVESTED GRAIN CROPS WILL BE THREATENED, THEREBY LIKELY INCREASING CHINA'S IMPORT REQUIREMENTS, MOSTLY FOR THE LAST QUARTER OF 1977 AND THE FIRST HALF OF 1978. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRESS COMMENTS, SALES, WHEAT, GRAINS
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE089820
Document Source: CORE
Document Unique ID: 00
Drafter: FCA;G
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770139-0061
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770433/aaaabbsd.tel
Line Count: 107
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 3e4630a1-c288-dd11-92da-001cc4696bcc
Office: ORIGIN AGRE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 22-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2735072
Secure: OPEN
Status: NATIVE
Subject: STATUS OF PRC GRAIN PURCHASES
TAGS: EAGR, XX, AR, CH
To: BUENOS AIRES
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/3e4630a1-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009